

THE OPTIONAL EXPANSION OF MEDICAID IN WYOMING:

COSTS, OFFSETS, AND CONSIDERATIONS FOR DECISION-MAKERS



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SECTION I: INTRODUCTION

Elected officials in Wyoming have a choice to make regarding whether or not to expand Wyoming Medicaid to low income adults. They can either choose to expand Medicaid when the enhanced federal funding begins in 2014, or they can choose to wait to make a decision regarding expansion, or they can choose not to expand the program at all.

To support Wyoming elected officials in this decision, the Wyoming Department of Health conducted an analysis of the information currently available regarding the costs and benefits of the ACA and its impact on Medicaid. The conclusion of this analysis is that the optional Medicaid expansion provides a cost-effective route to increase the number of people insured in Wyoming. In fact, due to numerous offsets that would be made available by the optional expansion, the expansion of the Medicaid program would result in Wyoming general fund cost savings across the first 6 years of the ACA implementation (FY 2014-2020).

In the following pages, the Wyoming Department of Health presents its analysis. Section II of this report provides background information on the ACA provisions to expand health care coverage. Section III describes the uninsured population in Wyoming. Section IV describes, in detail, the choice whether to expand or to not. Section V sets out the costs related to expanding Medicaid, while Section VI discusses the potential offsets. In Section VII, the costs and potential offsets are combined to show the potential savings associated with expansion.

SECTION II: THE AFFORDABLE CARE ACT

In March of 2010, Congress passed the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (ACA). Immediately after the ACA was passed, litigation ensued over the constitutionality of the law.

The Lawsuit

While several actions were heard by lower courts, ultimately, the United States Supreme Court agreed to hear a combination of actions resulting in four main areas of contention. 1) Does the Anti-Injunction Act bar the action from being heard by the court; 2) Is the individual mandate constitutional; 3) If the individual mandate is not constitutional, can it be severed from the rest of the Act; 4) Does the ACA's Medicaid expansion requirement exceed Congress's authority under the Spending Clause?

The U.S. Supreme Court issued its ruling in the *National Federation of Independent Business et al. v. Sebelius, Secretary of Health and Human Services et. al*, on June 28, 2012. While the Court upheld the individual mandate as a constitutional exercise of Congress's authority to tax, it struck down the ACA's requirement that states expand their Medicaid programs.

Impact of the Supreme Court Decision on Medicaid

Specifically, the Court ruled unconstitutional the penalty set out by the ACA that could be imposed upon states that did not expand their Medicaid programs. The Supreme Court's decision prevents the U.S. Department of Health and Human Services (HHS) Secretary from penalizing states that choose not to expand their Medicaid programs by revoking or withholding existing Medicaid funding. This decision has been interpreted to make the ACA Medicaid expansion to low-income adults optional.

The high court's ruling allows states to make their own decision as to whether or not to expand their Medicaid programs to cover optional low income adults up to 138% of the Federal Poverty Level (FPL). The U.S. Department of Health and Human Services (HHS) has made clear that the while the U.S. Supreme Court opinion makes optional the expansion of Medicaid to non-Medicare eligible adults, other requirements including coverage for the woodwork population and newly eligible children are mandatory.¹

¹ Secretary of Health and Human Services Letter to Governors, Kathleen Sebelius, July 10, 2012, <http://capsules.kaiserhealthnews.org/wp-content/uploads/2012/07/Secretary-Sebelius-Letter-to-the-Governors-071012.pdf>

More specifics are available from Kaiser Commission on Medicaid and the Uninsured: How Will the Medicaid Expansion for Adults Impact Eligibility and Coverage? Publication Number 8338, 07-25-2012, Found at <http://www.kff.org/medicaid/8338.cfm>

Four Main Parts Of The ACA Related to the Uninsured

One of the ACA's main goals was to expand access to health insurance coverage. It set out to achieve this goal in four ways: 1) Individual mandate; 2) Employer participation/penalties; 3) Health Benefit Exchanges with federal subsidies for the purchase of insurance; and 4) Expansion of Medicaid. Each of these four parts plays a role in reducing the rate of uninsured.

The Individual Mandate

Beginning in 2014, almost all U.S. citizens will be required to have or obtain qualifying health insurance coverage. Individuals (U.S. citizens and legal residents) who do not have qualifying health insurance coverage could be assessed a tax penalty. The tax will be phased in over a number of years.²

Imbedded in the individual mandate are a number of exemptions allowing numerous groups of individuals to be spared this tax penalty. These exemptions include: financial hardship, religious objections, American Indians, those without coverage for less than three months, undocumented immigrants (who are not eligible for health insurance subsidies under the ACA), incarcerated individuals, those for whom coverage is deemed unaffordable (the lowest cost plan option exceeds 8% of an individual's income), and those with incomes below the tax filing threshold.³

Individuals not exempted from the individual mandate could be eligible for a federal subsidy to assist with purchasing health insurance.

Employer Participation/Penalties

The ACA requires employers with 50 or more full-time workers to offer qualifying health insurance coverage. Fees may be assessed to employers if any of their employees receive a federal premium subsidy through the Health Benefit Exchange.⁴ Employer participation is required beginning in 2014.

Small business employers (those with less than 50 full-time workers) are exempt from the employer participation requirement and do not have to provide health insurance coverage to their employees.

The Health Benefits Exchange

Individuals without employer-sponsored coverage who are ineligible for Medicaid or Medicare may purchase insurance through a Health Benefit Exchange (Exchange). An exchange is an organized marketplace where consumers can purchase private insurance coverage. Health Benefit Exchanges can be operated in one of four ways: by the state itself; by a non-profit organization; by the federal government; or, as a hybrid that is operated jointly by a state and the

² "The penalty will be phased-in according to the following schedule: \$95 in 2014, \$325 in 2015, and \$695 in 2016 or the flat fee of 1.0% of taxable income in 2014, 2.0% of taxable income in 2015, and 2.5% of taxable income in 2016. Beginning after 2016, the penalty will be increased annually by the cost-of-living adjustment." See <http://www.kff.org/healthreform/upload/8061.pdf>

³ See <http://www.kff.org/healthreform/upload/8061.pdf>

⁴ Employers that do not offer coverage and have one full-time employee who receives a premium subsidy may be assessed a fee of \$2,000 per full-time employee, excluding the first 30 employees from the assessment. Employers that do offer coverage, but still have one full-time worker who receives a federal premium subsidy, may be assessed a fee of the lesser of \$3,000 for each employee receiving a premium credit or \$2,000 for each full-time employee, excluding the first 30 employees from the assessment. See <http://www.kff.org/healthreform/upload/8061.pdf>

federal government. Each state has the option to choose who will operate their exchange. If a state does not make a choice, the decision defaults to the federal government.

Federal subsidies will be available only through the Exchange to individuals and families with incomes between 100% FPL and 400% FPL. The federal subsidies are available in the form of premium credits and cost-sharing credits. Premium credits will assist individuals in purchasing private insurance using a sliding scale so that an individual or family's contributions are limited to a specific percentage of their income.⁵

Cost-sharing subsidies will also be available through the ACA to offset the costs of co-pays and deductibles. The cost-sharing subsidies will be tax credits that result in a reduction of total cost sharing for the individual.

Expansion of Medicaid

The final piece of the ACA's plan to extend health care coverage is the Medicaid expansion.

Certain provisions of the ACA required coverage of certain mandatory populations such as children were unchanged by the Supreme Court decision.

Other provisions related to extending coverage to adults were altered by the Supreme Court and made optional for states. Under the optional ACA Medicaid expansion, Medicaid coverage could be made available to all non-Medicare eligible adults under the age of 65 with incomes up to 138%⁶ of Federal Poverty Level (FPL) (\$15,415 for an individual or \$31,809 for a family of four in 2012).⁷

Figure 1 depicts the change in the basic eligibility structure (as measured by FPL) for those groups that would be impacted by the changes to the Medicaid program.

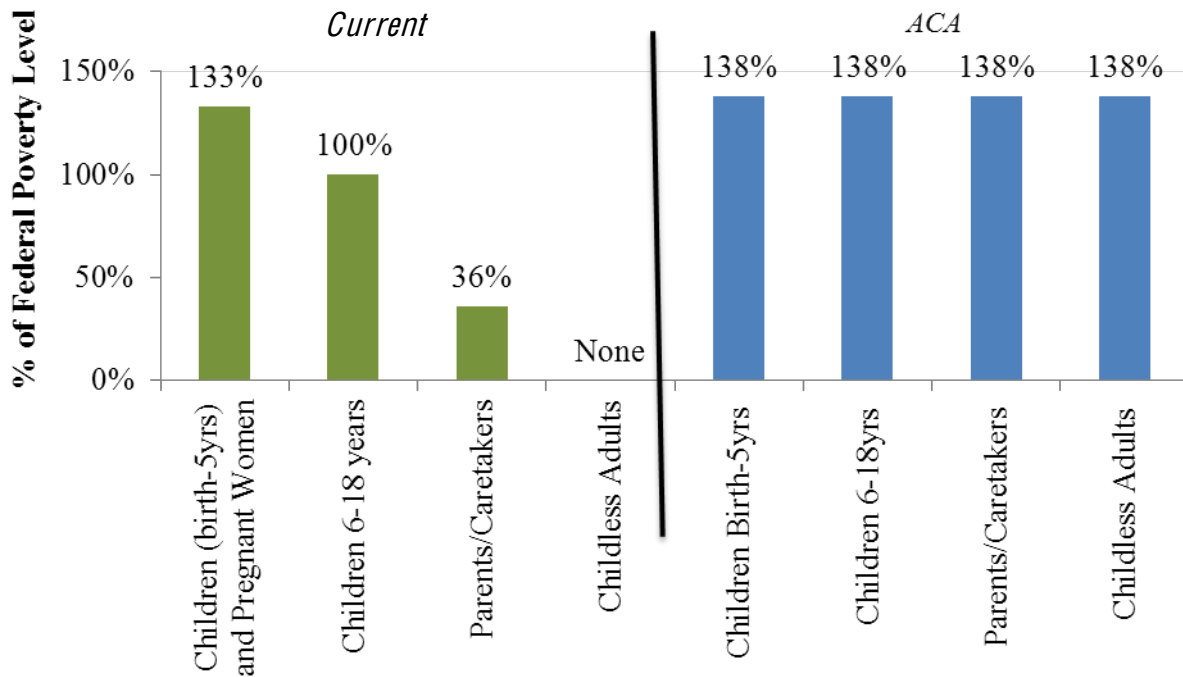
⁵ The credits will be tied to the second lowest cost silver plan (in the Exchange). The premium contributions will be limited as follows: 100-133% FPL: 2% of income, 133-150% FPL: 3 – 4% of income, 150-200% FPL: 4 – 6.3% of income, 200-250% FPL: 6.3 – 8.05% of income, 250-300% FPL: 8.05 – 9.5% of income 300-400% FPL: 9.5% of income. See <http://www.kff.org/healthreform/upload/8061.pdf>

⁶ While the ACA specifically states 133% FPL, because the ACA also requires a 5% income disregard, the new standard for financial eligibility is commonly referred to as 138% FPL.

⁷ HHS 2012 Poverty Guidelines for 100% of poverty. See <http://aspe.hhs.gov/poverty/12poverty.shtml>

In addition to making changes in who is eligible, the ACA also requires changes in determining eligibility. States must now implement Modified Adjusted Gross Income (MAGI) to determine eligibility. See <http://www.medicaid.gov/AffordableCareAct/Provisions/Downloads/MedicaidCHIP-Eligibility-Final-Rule-Fact-Sheet-Final-3-16-12.pdf>

Figure 1. Current vs. ACA Expansion: Income Eligibility Comparison to Federal Poverty Level



If Wyoming elects to expand its Medicaid program, the Federal Government will cover 100% of the costs of newly eligible adults from 2014 through 2016. Beginning in 2017, the Federal share will be reduced to 95%, then to 94% in 2018, to 93% in 2019, and to 90% in 2020 and beyond.

If the State chooses to forego the opportunity for Medicaid expansion, then residents of Wyoming with incomes 138% of FPL and below who are not currently eligible for Wyoming Medicaid, will not have access to Medicaid coverage. However, individuals and families whose income falls between 100% FPL and 138% FPL will be able to purchase health insurance through the Health Benefit Exchange with great assistance from federal subsidies (they would not pay more than 2% of income towards a premium).

Individuals and families with incomes falling below 100% FPL will not be eligible for federal subsidies on the Health Benefit Exchange under the ACA. It is unlikely that this group could afford to purchase private coverage without assistance. The exclusion of those under 100% FPL from eligibility for federal subsidies could lead to a gap in coverage in states that choose not to expand their Medicaid programs. The uninsured truly in poverty will most likely remain uninsured.

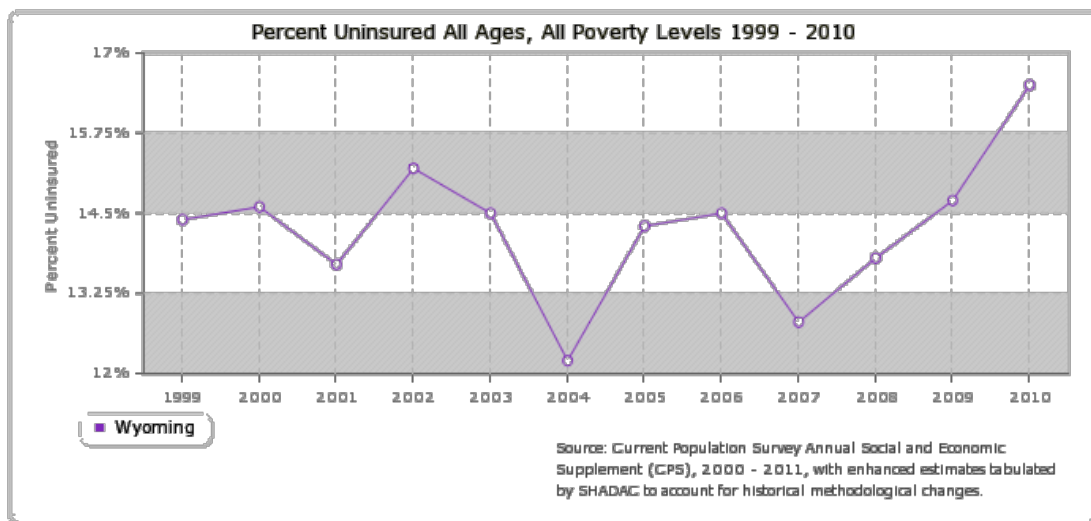
SECTION III: WYOMING'S UNINSURED

As the State decides whether or not to expand Wyoming Medicaid, the uninsured in Wyoming should be considered. If decreasing the number of uninsured is a goal for Wyoming's decision-makers, then the expansion of Medicaid should be considered as a route to obtaining that goal.

The ACA is expected to cause a decrease in the rate of uninsured in Wyoming. A recent actuarial study commissioned by the State of Wyoming estimates that the combination of the individual mandate, Health Benefit Exchanges, federal subsidies and Medicaid Expansion will decrease the uninsured population in Wyoming 50% by 2016.⁸

Wyoming's Uninsured

The challenges associated with uninsured citizens are relevant and timely issues for Wyoming policymakers. In the previously mentioned actuarial report, Current Population Survey (CPS) data was used to estimate that Wyoming had 83,000 uninsured residents in 2010. Additionally, Wyoming's uninsured rate appears to be increasing. The figure below shows an increase in Wyoming's uninsured rate from 2007 to 2010.



CPS estimates of Wyoming's uninsured population, by income, show that approximately 30% of uninsured residents had incomes at 138% Federal Poverty Level (FPL) or below and would be eligible for Medicaid if it was expanded.⁹ The same study estimates that over 50% of Wyoming's uninsured have incomes between 138% and 400% of the Federal Poverty Level (FPL) and will be eligible for federal subsidies to assist with the purchase of health insurance through a Health Benefits Exchange.¹⁰

⁸ 2011 State of Wyoming Department of Insurance, *Health Benefits Exchange Planning and Actuarial Health Insurance Market Study*, Final Report, Public Consulting Group & Gorman Actuarial, LLC

⁹ 2011 State of Wyoming Department of Insurance, *Health Benefits Exchange Planning and Actuarial Health Insurance Market Study*, Final Report, Public Consulting Group & Gorman Actuarial, LLC

¹⁰ 2011 State of Wyoming Department of Insurance, *Health Benefits Exchange Planning and Actuarial Health Insurance Market Study*, Final Report, Gorman Actuarial, LLC

However, if Wyoming chooses not to expand its Medicaid program, residents under 100% FPL will not be eligible for federal subsidies and will not have access to Medicaid.

Effects of Being Uninsured

A recent report released by The Kaiser Commission on Medicaid and the Uninsured discussed the negative impacts of being uninsured. The report stated that the “uninsured population is in worse health than the privately insured population” and that “[u]ninsured adults are almost twice as likely to report being in fair or poor health as those with private insurance.”¹¹

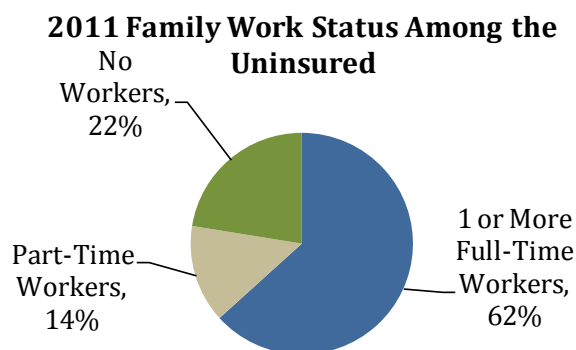
More than a third of nonelderly uninsured adults have a chronic condition, and uninsured adults are far more likely than the insured to go without health care. Without regular check-ups, health problems may go undetected. As a result, the uninsured have higher risk of being diagnosed in later stages of disease and die earlier than the insured. Even after diagnosis, the uninsured struggle to adhere to follow-up care plans due to the cost. Uninsured adults are more likely than those with insurance to have unmet health care needs.¹²

The uninsured suffer financially, as well. They are much more likely than their insured counterparts to have trouble paying their medical bills, more likely to spend significant savings paying medical bills, and more likely to have medical bills they simply cannot pay.¹³

The Working Uninsured

Americans largely rely on employer sponsored health care coverage. Most insured Americans (56%) under the age of 65 receive coverage as an employment benefit.¹⁴ When employers do not offer health care coverage as a benefit of employment, workers and their families, especially low income workers, may find it difficult to afford adequate coverage.

Nationally, 76% of people that are uninsured are in a family that has part-time or full-time workers. Only 22% of the uninsured are in a family with no workers.



Blue collar workers are more than twice as likely to be uninsured as white collar workers. In fact, 80% of uninsured workers are in blue collar jobs.¹⁵

¹¹ Kaiser Commission on Medicaid and the Uninsured. The Uninsured| A Primer. October 2012. Kaiser report found at <http://www.kff.org/uninsured/upload/7451-08.pdf>

¹² Kaiser report, The Uninsured| A Primer

¹³ Kaiser report, The Uninsured| A Primer

¹⁴ Kaiser report, The Uninsured| A Primer

¹⁵ Kaiser Commission on Medicaid and the Uninsured. The Uninsured| A Primer. October 2012. Kaiser report found at <http://www.kff.org/uninsured/upload/7451-08.pdf>

Low income individuals are most at risk for not having insurance. These individuals may be working, but do not earn enough to pay for health insurance premiums. Impediments to people under 138% obtaining health insurance coverage include: employers not offering health insurance; part-time workers and contractual workers not receiving the same benefits as full-time workers; monthly premium costs are too high to afford; or they are self-employed and struggle with the cost of health insurance.

The expansion of Medicaid to adults under 138% FPL would permit the working uninsured to access health care coverage. It would also benefit their employers who are often financially unable to provide health care coverage to their employees.

SECTION IV: WHAT IS THE CHOICE?

Elected officials in Wyoming now have a choice whether or not to expand Wyoming Medicaid to low-income adults. However, regardless of the decision, there are two mandatory groups that must be provided coverage. They are the woodwork population and the newly eligible children.

This Section separately discusses the mandatory coverage requirements and the optional Medicaid expansion.

Mandatory Groups

The individual mandate and increased attention to health care coverage created by the ACA will lead some individuals who are already eligible for Medicaid, but not enrolled, to enroll. This group is commonly referred to as the “woodwork population” because it is thought that the ACA will bring them “out of the woodwork” to enroll in Medicaid.

Because this population is currently eligible for Medicaid under its existing policies, this group is to be treated as any eligible person is treated today. If they are eligible, they must be covered. Additionally, the federal government will match only 50% of the cost of their coverage, which is the existing Federal Medical Assistance Percentage (FMAP)¹⁶ for Wyoming.

In addition to the woodwork population, the ACA requires the existing Medicaid program to add coverage for children ages 6-18 whose family income is between 100% and 138% FPL. Currently these children are eligible for Kid Care Children’s Health Insurance Program (CHIP), but not Medicaid. This group of children is mandatory and is not affected by the recent Supreme Court decision.¹⁷

The coverage of the woodwork population and additional children is mandatory. The cost of covering these groups can be expected whether or not the State elects to expand its Medicaid program.

Upon legislative mandate, the Wyoming Department of Health sought estimates for the number of additional Medicaid enrollees due to the required Medicaid coverage of mandatory groups.¹⁸ Estimates received by Wyoming Department of Health for the “woodwork population” ranged from 700 to 10,800 individuals, with a best estimate of 3,700 individuals. Estimates received for the newly eligible children ranged from 4,600 to 10,800 children, with a best estimate of 6,900 children. Table 1 outlines the best estimate of mandatory group enrollment for Wyoming.

¹⁶ The FMAP for the “woodwork” population will not be enhanced. For this population the FMAP will be at Wyoming’s current rate, which has been 50% since 2011 and is projected to be at 50% through 2020. Wyoming can expect an increase in this population whether or not it expands its Medicaid program. The children newly eligible for Medicaid due to the expansion are also not eligible for the full-enhanced FMAP discussed above.

¹⁷ Additionally, this group of kids is not covered at the 100% enhanced FMAP offered for newly eligible adults. *See* <http://www.kff.org/healthreform/upload/8348.pdf>

¹⁸ These numbers were taken from a report written by Milliman, Inc. in fulfillment of the requirements of Enrolled Act No. 93, Senate, Sixty-First Legislature of the State of Wyoming, 2011 General Session. The final report was completed on September 1, 2012. This Milliman Medicaid Cost Study is available on the Department of Health website at <http://www.health.wyo.gov>

Table 1: Medicaid Eligibility Estimates for Mandatory Groups by 2016

Population	Approximate Eligibility
Woodwork Population	3,700
Newly Eligible Children	6,900
Total	10,600

Optional Group (Expansion Adults)

The choice available to decision makers regarding whether or not to expand Medicaid deals only with the optional expansion group consisting of low-income adults.

The current Medicaid program has categorical eligibility requirements, as well as financial eligibility requirements. Wyoming Medicaid has four primary eligibility categories: Children, Pregnant Women, Family Care Adults, and individuals who are Aged, Blind or Disabled (ABD).

Regardless of how little a person makes, or even if they make nothing, if the person does not fall into one of the categories currently covered by Medicaid, they do not qualify for coverage. Thus, childless adults are not currently covered by Wyoming Medicaid. Additionally, because the financial eligibility for parents is limited to those with very low household incomes, there is low enrollment of parents or family care adults.

Under the ACA Medicaid expansion, Medicaid coverage will be available to all non-Medicare eligible adults under the age of 65 with incomes up to 138%¹⁹ of Federal Poverty Level (FPL) (\$15,415 for an individual or \$31,809 for a family of four in 2012).²⁰ If the State chooses to expand, it is expected that the expansion population would consist almost entirely of childless adults and low income parents.

The Wyoming Department of Health sought estimates for the number of additional Medicaid enrollees due to the optional expansion of Medicaid.²¹ Estimates received ranged from 11,500 to 22,900, with a best estimate of 17,600.²² Table 2 illustrates the best estimate for Wyoming's enrollment of the optional Medicaid expansion.

Table 2: Medicaid Eligibility Estimates for Optional Groups by 2016

¹⁹ While the ACA specifically states 133% FPL, because the ACA also requires a 5% income disregard, the new standard for financial eligibility is commonly referred to as 138% FPL.

²⁰ In addition to making changes in who is eligible, the ACA also requires changes in determining eligibility. States must now implement Modified Adjusted Gross Income (MAGI) to determine eligibility.

²¹ These numbers were taken from a report written by Milliman, Inc. in fulfillment of the requirements of Enrolled Act No. 93, Senate, Sixty-First Legislature of the State of Wyoming, 2011 General Session. The final report was completed on September 1, 2012. This Milliman Medicaid Cost Study is available on the Department of Health website at <http://www.health.wyo.gov>

²² Wyoming Medicaid Expansion Analysis Reports Summary, Milliman Inc September 2012.

Population	Approximate Eligibility
Expansion Adults	17,600
Total	17,600

The Centers for Medicare and Medicaid Services (CMS) has stated that there is no deadline by which states must decide whether to expand or not. However, the 100% federal match is only available to states in the beginning years of the expansion in order to cover costs associated with the pent up demand for health services by the expansion population. The ACA makes clear that the enhanced federal match is available at 100% only through 2016, after which time the federal match scales back to 90% by 2020.

SECTION V: WHAT ARE THE COSTS OF EXPANDING MEDICAID?

To assist in the deliberation process, the Wyoming Department of Health was asked to conduct an analysis of how the Medicaid expansion would impact the State and specifically the Medicaid program. Crucial to this decision is the expected impact on the State's General Fund.

To determine if Wyoming can afford to expand Medicaid coverage, the Wyoming Department of Health contracted with a consulting firm, Milliman, Inc. to acquire best-estimates of the financial impact the ACA would have on Wyoming Medicaid.²³ The best-estimates received from Milliman included the cost of coverage of the two mandatory groups: the woodwork population and newly eligible children. Best-estimates also included the cost of coverage of the optional group: the expansion adults.

It should be noted that the costs associated with the ACA and the optional Expansion are shared between the state and the federal government. The best estimate, provided by Milliman, Inc., for these costs is represented in the table below. Only the state share will be explored in the remainder of this report.

Total Costs: State + Federal Shares Combined Mandatory and Optional Groups								
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Total Cost
State Share	\$6.8	\$14.1	\$14.7	\$18.0	\$22.5	\$25.1	\$30.0	\$131.2
Federal Share	\$57.5	\$119.6	\$129.1	\$134.3	\$137.0	\$142.0	\$144.9	\$864.4
GRAND TOTAL	\$64.3	\$133.8	\$143.8	\$152.3	\$159.5	\$167.0	\$174.9	\$995.6

Mandatory Group / Costs

As stated previously, there will be costs to the Medicaid program caused by the ACA regardless of whether the program is expanded. This is due to the enrollment the woodwork population and newly eligible children. These individuals are expected to enroll in Medicaid because of the ACA. This will increase enrollment in Medicaid, and thus will increase costs.

The Milliman report best-estimate scenario of cost to the State General Fund for coverage of these two groups from FY2014 through FY 2020 was \$95.5 million. The mandatory coverage of these two groups will also have administration costs estimated to be \$4.4 million from FY 2014-2020. Total Wyoming General Fund costs for the coverage of mandatory groups are estimated to be \$99.9 million based on the best estimate scenario presented by Milliman. The following table provides year-by-year detail on the best-estimate costs to the State due to mandatory groups.

State General Fund Costs Mandatory Groups								
Cost: State Share of Benefits	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Total
Woodwork	\$3.9	\$7.8	\$7.7	\$7.9	\$8.3	\$8.7	\$9.1	\$53.3
Expansion Children	\$2.6	\$5.7	\$6.1	\$6.1	\$6.4	\$7.0	\$8.4	\$42.2
Administration	\$0.3	\$0.6	\$0.6	\$0.7	\$0.7	\$0.8	\$0.8	\$4.4
GRAND TOTAL	\$6.8	\$14.1	\$14.4	\$14.7	\$15.4	\$16.5	\$18.3	\$99.9

²³ Wyoming Medicaid Expansion Analysis Reports Summary, Milliman Inc September 2012.

Optional Expansion Group / Costs

The Milliman report estimated \$35.7²⁴ million in new State General Fund costs for the optional coverage of the Medicaid expansion group: expansion adults. This optional coverage will also have administrative costs to the State estimated to be \$15.5 million from FY 2014-2020.

The total Wyoming General Fund costs from FY 2014-2020 for the optional coverage of expansion adults are estimated to be \$51.2 million (based on the best estimate scenario presented by Milliman). The following table presents a year-by-year illustration of the best-estimate costs of the optional expansion adults.

State General Fund Costs Optional Group								
Cost: State Share of Benefits	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Total Cost
Expansion Adults	\$0.3	\$0.7	\$0.9	\$4.0	\$7.8	\$9.4	\$12.6	\$35.7
Administration	\$1.0	\$2.1	\$2.2	\$2.4	\$2.5	\$2.6	\$2.7	\$15.5
GRAND TOTAL	\$1.3	\$2.8	\$3.1	\$6.4	\$10.3	\$12.0	\$15.3	\$51.2

Combined Mandatory and Optional Groups / Costs

Based on Milliman's best estimate scenario of costs,²⁵ coverage of both the mandatory and optional groups will cost the State of Wyoming \$131.2 million from FY 2014-2020 in health care costs and an additional \$19.9 million in administrative costs. This results in a total cost to the State of Wyoming of \$151.1 million from FY 2014-2020, as shown in the following table.

State General Fund Costs Mandatory & Optional Groups Total								
Cost: State Share of Benefits	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Total Cost
Woodwork (Mandatory)	\$3.9	\$7.8	\$7.7	\$7.9	\$8.3	\$8.7	\$9.1	\$53.3
Newly-Eligible Children (Mandatory)	\$2.6	\$5.7	\$6.1	\$6.1	\$6.4	\$7.0	\$8.4	\$42.2
Expansion Adults (Optional)	\$0.3	\$0.7	\$0.9	\$4.0	\$7.8	\$9.4	\$12.6	\$35.7
Administration	\$1.3	\$2.7	\$2.9	\$3.0	\$3.2	\$3.3	\$3.5	\$19.9
GRAND TOTAL	\$8.1	\$16.9	\$17.6	\$21.0	\$25.7	\$28.4	\$33.6	\$151.1

It is important to note that a majority of these costs (66%) are due to the mandatory coverage of the woodwork population and newly eligible children (\$99.9 million of the total \$151.1 million). These mandatory groups are eligible to enroll in Wyoming Medicaid regardless of whether Wyoming chooses to expand coverage to optional expansion adults.

The analysis of the cost of a Medicaid expansion to the State should not stop at the cost estimates. Instead, it is important that decision makers also consider the offsets made possible by a Medicaid expansion.

²⁴ Wyoming Medicaid Expansion Analysis Reports Summary, Milliman Inc September 2012. pg. 25, Table 8.

²⁵ Wyoming Medicaid Expansion Analysis Reports Summary, Milliman Inc September 2012. The best estimate scenario of direct healthcare costs is represented in Table 8 is found on page 25 of the Milliman report. The text box is taken from page 26 of the report represents total administration costs. At a 50% federal match, the State Share of the administrative costs are 50% of the amounts shown.

SECTION VI: WHAT OFFSETS ARE POSSIBLE?

Throughout the years, the State has created a number of programs funded by the State General Fund to provide certain health care services to the State's most vulnerable populations. A number of these programs were thought necessary to provide health care to those unable to afford the cost of important health care services. If the State expands its Medicaid program, many of these programs will no longer need to be funded with 100% General Funds because those served by these programs will have access to Medicaid's health care coverage, or private insurance. Offsets are the savings that could result from altering, reducing, or eliminating certain services that would no longer be needed if Wyoming Medicaid was expanded. It is important to note that offsets are not "cuts," but instead are the repurposing of existing state general funds to support the expansion of the Medicaid system.

Many of these suggested offsets would maximize available federal financing for Wyoming's healthcare system by shifting funding from programs that are currently 100% funded by the State General Fund to Medicaid, which will be funded 90%-100% by the federal government.

The Wyoming Department of Health conducted an in-depth analysis of the information currently available regarding the costs and impacts of the ACA. That analysis revealed that participating in the optional expansion of the Medicaid program would result in a projected cost savings for the State General Fund throughout the first 6 years²⁶ of the ACA implementation (FY 2014-2020). This conclusion was reached based upon best-estimates of the various costs and potential offsets associated with the coverage of both mandatory and optional groups.

Mandatory Coverage Groups / Offsets

Expected enrollment of the two groups Wyoming Medicaid is required to cover (woodwork population and newly eligible children) is estimated to be 10,600 individuals. This mandatory coverage is more expensive to the State than the optional coverage due to the lower FMAP of 50%. The best-estimate of State share of the costs of coverage of these mandatory groups is \$99.9 million from FY 2014-2020.

These costs could be partially offset by altering current Medicaid and General Fund programs. Several programs outside of the Medicaid structure currently serve this population. With new ACA provisions, these services become redundant and therefore can be absorbed into services required to be provided through Medicaid.

The Wyoming Department of Health identified \$18.7 million in program reductions by redesigning some current Medicaid programs and an additional \$1.8 million by reducing other programs.

The following is a list of programs that constitute offsets related to the mandatory group:

²⁶ The expansion begins January 1, 2014 and therefore is only active for six months of FY 2014. For this reason, FY 2014 offsets are shown as half year offsets based on the full year figure in FY 2015.

- State-Only Foster Care
- Medicaid Increased FMAP for CHIP
- Children's Special Health Program

Between FY 2014 and FY 2020, it is estimated that \$5.5 million in General Fund dollars could be offset due to foster care children qualifying for federal reimbursement, and \$13.2 million could be offset due to shifting 1,000 children from CHIP to Medicaid. These changes result from enhanced federal match rates and eligibility changes. An additional \$1.8 million of General Fund program offset is expected due to ending the General Fund portion of the Children's Special Health Program.

Together, these possible offsets total \$20.5 million²⁷ from FY2014-2020. The table below provides year-by-year detail of the offsets for mandatory ACA groups.

State General Fund Offsets Mandatory Groups								Total Offsets
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	
Offsets: Medicaid Programs								
State-Only Foster Care	\$0.4	\$0.8	\$0.8	\$0.8	\$0.9	\$0.9	\$0.9	\$5.5
Enhanced Federal Match for CHIP	\$0.0	\$0.0	\$2.9	\$3.0	\$3.1	\$3.3	\$0.8	\$13.2
Offsets: Other WDH Programs								
Children's Special Health	\$0.1	\$0.2	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$1.8
GRAND TOTAL	\$0.5	\$1.0	\$4.0	\$4.1	\$4.3	\$4.5	\$2.1	\$20.5

Optional Coverage Group: Expansion Adults / Offsets

Opting to cover expansion adults would result in an estimated increase in enrollment of 17,600 adults who do not currently qualify for Medicaid. Costs for coverage of optional expansion adults are estimated to be \$51.2 million for FY 2014-2020.

The estimated costs to the State General Fund could be offset by altering current Medicaid and General Fund programs to pay for the increased coverage provided by the Medicaid expansion. With the addition of these optional expansion adults to the Medicaid rolls, many existing programs that target uninsured adults could provide offsets for costs. These programs are:

- Prescription Drug Assistance Program
- Breast and Cervical Cancer Coverage
- Pregnant by Choice Waiver
- Employed Individuals with Disabilities
- Mental Health & Substance Abuse Outpatient Services²⁸
- State Hospital
- Renal Dialysis

²⁷ Offsets were adjusted by 4% inflation starting in FY 2016 to reflect the inflation rate used in the Milliman cost study for comparability.

²⁸ An assumption that the Essential Health Benefit package that will be offered on the health benefits exchange will cover at least outpatient Mental Health was made in computing the offsets related to behavioral health programs.

- Colorectal Cancer Screening
- HIV/AIDS Medications
- Tobacco Cessation Medication/Counseling

The Wyoming Department of Health identified a total of \$178 million in possible offsets. This includes \$27.2 million made possible by changing current Medicaid programs and \$150.8 million made possible by shifting newly eligible participants (and funding) either to Medicaid or to private insurance from other programs. The following table shows the offsets as related to the optional group of adults from FY2014 to FY2020.

State General Fund Offsets Optional Group								Total Offsets
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	
Offsets: Medicaid Programs								
Prescription Drug Assistance	\$ -	\$ 0.8	\$ 1.0	\$ 1.0	\$ 1.1	\$ 1.1	\$ 1.2	\$ 6.2
Breast and Cervical Cancer	\$ 0.5	\$ 1.4	\$ 1.8	\$ 1.9	\$ 1.9	\$ 2.0	\$ 2.1	\$ 11.7
Pregnant By Choice Waiver	\$ 0.0	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.4
Empl. Individuals w/Disabilities	\$ 0.4	\$ 1.1	\$ 1.4	\$ 1.4	\$ 1.5	\$ 1.5	\$ 1.6	\$ 8.9
Offsets: Other WDH Programs								
Mental Health & Substance Abuse	\$ 5.6	\$ 14.8	\$ 18.5	\$ 19.3	\$ 20.0	\$ 20.8	\$ 21.7	\$ 120.7
Wyoming State Hospital	\$ 0.8	\$ 1.7	\$ 1.7	\$ 1.8	\$ 1.8	\$ 1.9	\$ 2.0	\$ 11.6
Renal Dialysis	\$ 0.2	\$ 0.6	\$ 0.7	\$ 0.8	\$ 0.8	\$ 0.8	\$ 0.9	\$ 4.8
Colorectal Cancer Screening	\$ 0.2	\$ 0.7	\$ 0.8	\$ 0.9	\$ 0.9	\$ 0.9	\$ 1.0	\$ 5.4
HIV/AIDS (Medications)	\$ 0.1	\$ 0.3	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.4	\$ 2.3
Tobacco Cessation	\$ 0.3	\$ 0.7	\$ 0.9	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.1	\$ 6.0
GRAND TOTAL	\$ 8.2	\$ 22.2	\$ 27.3	\$ 28.3	\$ 29.5	\$ 30.7	\$ 31.9	\$ 178.0

Combined Mandatory and Optional Groups / Offsets

Combined State General Fund costs for mandatory and optional groups from FY 2014-2020 were estimated to be \$151.1 million. This is based on the best estimate scenario presented in the Milliman report, and includes both healthcare²⁹ and administrative costs.³⁰

These costs could be greatly offset by altering current Medicaid and other programs. Providing Medicaid coverage to both the mandatory groups and the optional expansion group would lead to the enrollment of an estimated 28,200 Wyoming residents. Enrollment of these individuals in Medicaid would allow great opportunity for savings in State General Funded programs because the need for State funded health care services will be drastically decreased.

²⁹ Milliman Cost Study, September 2012, page 25, Table 8. The Milliman report identified \$131.2 million in new state costs for Medicaid coverage of the mandatory groups (woodwork and newly eligible children) and optional groups (expansion adults).

³⁰ Milliman Cost Study, September 2012, page 26. Figure shown in report includes federal and state portions. Administrative costs are at 50% Federal Match. Administrative costs to the state of Wyoming are expected to add an additional \$19.9 million from FY 2014-2020.

Savings that could be used to offset the costs of Medicaid coverage were previously shown for the mandatory and optional expansion groups. Combined, the Wyoming Department of Health identified \$45.9 million in savings by modifying current Medicaid programs and \$152.6 million in savings by reducing or eliminating General Fund programs. Together, these possible offsets total \$198.5 million.³¹

The table below combines the offsets for the mandatory and optional expansion groups.

State General Fund Offsets Mandatory and Optional Groups Total								Total Offsets
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	
Offsets: Medicaid Programs								
Program	\$ -	\$ 0.8	\$ 1.0	\$ 1.0	\$ 1.1	\$ 1.1	\$ 1.2	\$ 6.2
State-Only Foster Care	\$ 0.4	\$ 0.8	\$ 0.8	\$ 0.8	\$ 0.9	\$ 0.9	\$ 0.9	\$ 5.5
Enhanced Federal Match for CHIP	\$ -	\$ -	\$ 2.9	\$ 3.0	\$ 3.1	\$ 3.3	\$ 0.8	\$ 13.2
Breast and Cervical Cancer Program	\$ 0.5	\$ 1.4	\$ 1.8	\$ 1.9	\$ 1.9	\$ 2.0	\$ 2.1	\$ 11.7
Pregnant By Choice Waiver	\$ 0.0	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.4
Employed Individuals w/ Disabilities	\$ 0.4	\$ 1.1	\$ 1.4	\$ 1.4	\$ 1.5	\$ 1.5	\$ 1.6	\$ 8.9
Offsets: Other WDH Programs								
Mental Health and Substance Abuse	\$ 5.6	\$ 14.8	\$ 18.5	\$ 19.3	\$ 20.0	\$ 20.8	\$ 21.7	\$ 120.7
Wyoming State Hospital	\$ 0.8	\$ 1.7	\$ 1.7	\$ 1.8	\$ 1.8	\$ 1.9	\$ 2.0	\$ 11.6
Children's Special Health Program	\$ 0.1	\$ 0.2	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 1.8
Renal Dialysis	\$ 0.2	\$ 0.6	\$ 0.7	\$ 0.8	\$ 0.8	\$ 0.8	\$ 0.9	\$ 4.8
Colorectal Cancer Screening	\$ 0.2	\$ 0.7	\$ 0.8	\$ 0.9	\$ 0.9	\$ 0.9	\$ 1.0	\$ 5.4
HIV/AIDS (Medications)	\$ 0.1	\$ 0.3	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.4	\$ 2.3
Tobacco Cessation	\$ 0.3	\$ 0.7	\$ 0.9	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.1	\$ 6.0
GRAND TOTAL	\$ 8.7	\$ 23.2	\$ 31.2	\$ 32.5	\$ 33.8	\$ 35.1	\$ 34.0	\$ 198.5

³¹ Offsets were adjusted by 4% inflation starting in FY 2016 to reflect the inflation rate used in the Milliman cost study for comparability.

SECTION VII: SUMMARY OF FINANCIAL IMPACT TO WYOMING

This section combines the best-estimate costs from the Milliman Study and offsets identified by the Wyoming Department of Health to consider the overall financial impact to Wyoming of mandatory groups, optional groups, and both groups combined. Based on this analysis, expansion to all groups is a better financial decision for the State than solely offering coverage to mandatory groups.

Mandatory Group / Overall Financial Impact

After considering new costs and possible offsets, the net cost of covering the mandatory groups is estimated to be \$79.4 million to the State from FY 2014-2020 (annual estimates can be seen in the table below).

Net Cost to State General Fund Mandatory Groups								
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Net Total
Costs	\$6.8	\$14.1	\$14.4	\$14.7	\$15.4	\$16.5	\$18.3	\$99.9
Offsets	\$0.5	\$1.0	\$4.0	\$4.1	\$4.3	\$4.5	\$2.1	\$20.5
Net Cost	-\$6.3	-\$13.1	-\$10.5	-\$10.5	-\$11.1	-\$12.0	-\$16.2	-\$79.4

Expansion Group / Overall Financial Impact

The Wyoming Department of Health estimates that expanding Medicaid to cover the optional expansion adults will result in a net savings of \$126.8 million to the State from FY 2014-2020. This is primarily due to the enhanced FMAP for coverage available for this group (100% from 2014-2016 and 90% from 2020 and beyond), as well as increased potential for savings from State General Funded programs. Year-by-year estimates of these savings can be seen in the table below.

Net Savings to State General Fund Optional Group								
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Net Total
Costs	\$1.3	\$2.8	\$3.1	\$6.4	\$10.3	\$12.0	\$15.3	\$51.2
Offsets	\$8.2	\$22.2	\$27.3	\$28.3	\$29.5	\$30.7	\$31.9	\$178.0
Net Savings	\$6.9	\$19.4	\$24.1	\$22.0	\$19.2	\$18.7	\$16.6	\$126.8

Combined Mandatory and Optional Groups / Overall Financial Impact

The Wyoming Department of Health predicts that a savings to the State General Fund will occur if Wyoming Medicaid offers coverage to both the mandatory and optional groups. The savings made possible by an expanded Medicaid are estimated to total \$47.4 million from FY 2014-2020. The summary table, below, provides a year-by-year analysis of the net cost savings across both the mandatory and optional groups.

Net Impact to State General Fund Mandatory and Optional Groups Total								
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Net Total
Costs	\$8.1	\$16.9	\$17.6	\$21.0	\$25.7	\$28.4	\$33.6	\$151.1
Offsets	\$8.7	\$23.2	\$31.2	\$32.5	\$33.8	\$35.1	\$34.0	\$198.5
Net Savings	\$0.6	\$6.3	\$13.7	\$11.4	\$8.1	\$6.7	\$0.4	\$47.4

The mandatory (children and woodwork) and optional (expansion adults) groups account for an estimated 28,200 new Medicaid enrollees. While most of the cost to the State is caused by the required coverage of mandatory groups due to their lower federal match (50% FMAP), most of the savings were made possible through the optional expansion to adults.

This leads the Department of Health to conclude purely on a financial basis that the coverage of both mandatory and optional groups is a better budgetary choice for the State General Fund. Pursuant to the Department of Health's analysis, expanding Medicaid to cover optional expansion adults would result in a net savings to the General Fund of \$47.4 million from FY 2014-2020.

While the impact to the State's General Fund is crucial to the decision as to whether or not to expand Wyoming Medicaid, it is just one piece in the larger deliberation process. Consideration should also be given to how the expansion of Medicaid could impact Wyoming as a whole. A variety of impacts to Wyoming are explored in the final section of this report.

SECTION VIII: POTENTIAL IMPACTS TO WYOMING

The optional expansion of Medicaid to cover non-Medicare eligible adults up to 138% FPL is expected to have both positive and negative impacts on the State. While an introduction to Wyoming's uninsured was given in Section III, it is important to discuss the positive impacts to the state of reducing the rate of uninsured residents.

Reducing the rate of uninsured will positively impact Wyoming's residents and health care providers. It could also positively impact the State's economy, not only by infusing more money into the system, but also by creating demand for health care sector jobs.

There are also some potential negative impacts, including provider shortages and uncertainty about the federal deficit.

POSITIVE / Increased Numbers of Insured

CPS estimates of Wyoming's uninsured population, by income, show that approximately 30% of uninsured residents had incomes at 138% Federal Poverty Level (FPL) or below and would be eligible for Medicaid if it was expanded (though not all are expected to enroll).³²

According to a recent Kaiser Commission on Medicaid and the Uninsured report, “[r]esearch demonstrates that gaining health insurance restores access to health care considerably and diminishes the adverse effects of having been uninsured.”³³ The Kaiser report describes a study on newly covered Medicaid enrollees in Oregon that found gaining Medicaid increased the likelihood of having an outpatient visit by 35% and taking a prescription by 15%.³⁴

A recent study done by the Harvard School of Public Health and published by the New England Journal of Medicine³⁵ found a drop in mortality rates in three states that expanded their Medicaid programs in the five years after the expansions. The study found that, on average, death rates fell by 19.6 deaths per 100,000 adults as compared with nearby control states. If Wyoming experienced a similar effect as found in the study, the expansion could prevent 111³⁶ Wyoming deaths per year within five years. The Wyoming death rate in 2009 was 776.4 deaths per 100,000 adults, which was higher than national average of 741.1 deaths per 100,000 adults.³⁷

³² 2011 State of Wyoming Department of Insurance, *Health Benefits Exchange Planning and Actuarial Health Insurance Market Study*, Final Report, Gorman Actuarial, LLC

³³ Kaiser Commission on Medicaid and the Uninsured. *The Uninsured| A Primer*. October 2012. Kaiser report found at <http://www.kff.org/uninsured/upload/7451-08.pdf>

³⁴ Kaiser report, *The Uninsured| A Primer*

³⁵ See <http://www.nejm.org/doi/full/10.1056/NEJMSa1202099>

³⁶ See Wyoming 2011 Census Population Estimate <http://quickfacts.census.gov/qfd/states/56000.html>. The population of Wyoming was projected to be 568,158 in July 2011.

³⁷ See The Centers for Disease Control and Prevention (CDC), National Center for Health Statistics, Division of Vital Statistics, *National Vital Statistics Report Volume 60, Number 3, December 2011, Table 19*. Available at http://www.cdc.gov/nchs/data/nvsr/nvsr60/nvsr60_03.pdf.

POSITIVE / Reduced Uncompensated Care

Expanding health care coverage through Medicaid would benefit the State of Wyoming beyond the direct benefits to the recipients of health care.

According to the Wyoming Hospital Association, in 2011 uncompensated care for Wyoming hospitals amounted to \$199.8 million³⁸. While other providers also provide uncompensated care, hospitals provide the majority of this care. Decreasing the number of uninsured will decrease the amount of uncompensated care experienced by all Wyoming providers.

Uncompensated care costs are not just incurred by providers. These costs are passed on to governments, private insurers, and individuals who pay directly for health care.³⁹ This is called a cost shift. The cost of providing care to those who cannot pay is shifted to those who can. This cost shift leads to higher costs for health care and higher premiums for those who are insured.

By implementing an expansion in Medicaid alongside the implementation of healthcare reform, the costs of uncompensated care would decline. This would help reduce cost shifting from the uninsured to existing payors such as private insurance and Medicaid.⁴⁰

POSITIVE / Wyoming Economy and Employment

The expansion of Medicaid could have a beneficial impact on Wyoming's economy. The estimated additional federal dollars passed on to the Wyoming healthcare system could equal \$864.4 million from FY 2014 – FY 2020.

Approximately 96% of Wyoming's Medicaid dollars go to local health care providers. Not only would an expansion of Medicaid mean that Wyoming providers would have less uncompensated care costs, but with significantly more Medicaid enrollees, providers would see an increase in demand for services and thus would have potential for increased revenue. As one example, the state of Nebraska estimated 10,770 – 13,044 jobs will be created from by 2020 due to the Medicaid Expansion.⁴¹

NEGATIVE / Provider Shortages

The optional expansion of Medicaid, along with the other provisions of the ACA that will increase access to health care coverage (Health Benefit Exchange, subsidies, mandates), may exacerbate provider shortages in some parts of the state for some types of services. Whether or not the State chooses to expand its Medicaid program, health care providers should expect to see an influx in patients beginning in 2014.

³⁸ See <http://wyofile.com/2012/10/medicaid-expansion-wyoming-awaits-data-postpones-decisions/>

³⁹ See <http://www.kff.org/uninsured/7809.cfm>

⁴⁰ See <http://www.cbpp.org/cms/index.cfm?fa=view&id=3801>

⁴¹ See University of Nebraska Health Center for Health Policy, Medicaid Expansion in Nebraska Under the Affordable Care Act, page 5 exhibit 5. Found at <http://www.unmc.edu/publichealth/docs/medicaidexpansion.pdf>

NEGATIVE / Federal Deficit

The Federal government has committed to pay at least 90% of the costs of the optional expansion group indefinitely after 2020. Some legislators have voiced concern that due to the Federal deficit, the Federal government will not be able to honor this obligation and may try to lower the federal match percentage for the optional expansion group some time in the future.

The Wyoming Department of Health has conducted this analysis based on the ACA as it is currently written, and is not in the position to evaluate the current or future financial position of the Federal Government. It should be noted, however, that a state is able to opt out of the optional Medicaid expansion at any time it deems appropriate. If the federal government reduces its match for this optional group, Wyoming could opt out of the expansion at that time.

Conclusion

The state of Wyoming now must make a choice about whether or not to participate in the optional expansion of Medicaid. The purpose of this report is to provide information for decision-makers such that an informed decision can be made. While there are significant costs associated with both the mandatory and optional groups, it is clear from the findings presented here that participating in the optional expansion of Medicaid would enable Wyoming to increase the number of individuals covered by the Medicaid program, without increasing its state general fund contribution to the program.